COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1570-01
Bill No.: HB 685
Subject: Motor Vehicles; Roads & Highways; Transportation; Department of Transportation; Taxation and Revenue
Type: Original
Date: March 7, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	($7,771,593)	($722,316)	($5,745,329)
Transportation Sales Tax	$73,275,000	$153,200,000	$160,100,000
State Highway & Transportation/ State Road	$47,221,125 to $47,321,125	$145,692,359 to $145,792,359	$180,659,905 to $180,759,905
Total Estimated Net Effect on All State Funds	**$112,724,532 to $112,824,532**	**$298,170,043 to $298,270,043**	**$335,014,576 to $335,114,576**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	$0	$0	$0
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Cities	**$9,565,688**	**$29,664,000**	**$37,073,250**
City of St. Louis	**$24,753**	**$125,625**	**$229,538**
Counties	**$6,847,434**	**$22,162,875**	**$29,076,713**
Local Government	**$16,437,875**	**$51,952,500**	**$66,379,501**

Numbers within parentheses: ( ) indicate costs or losses.

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Transportation (MoDOT)** assume the proposal primarily impacts the Department through the motor fuel tax increase, elimination of the sunset clause for the six-cent portion of the motor fuel tax set to expire in FY 2008, the sales tax increase on motor vehicles, the general sales tax increase, the creation of the Transportation Sales Tax Fund and the Transportation User Fee Fund, the authorization of design-build contracting, and the increase in various user fees.

MoDOT assumes the addition of three members to the commission would cost $4,900 per member per year for expense reimbursement. This totals $12,250 in FY 2002; $15,141 in FY 2003; and $15,595 in FY 2004.

MoDOT assumes five additional program managers will be needed to oversee projects funded for multi-modal transportation. Costs for these positions are estimated at $227,477 in FY 2002; $381,275 in FY 2003; and $390,826 in FY 2004. Additionally, MoDOT notes that it "may require additional new employees, with associated expense and equipment costs, to complete the additional workload created through the increased funding for highway, bridge, and toll projects." **Oversight** contends that the purpose of the proposal is to generate new revenues, with the understanding that these monies will be spent on various projects. As such, for fiscal note purposes, costs realized as a result of new workloads due to the increased funding are not shown.

Repeal of the jet fuel tax exemption's sunset clause of December 31, 2003, is estimated by MoDOT to create a revenue loss of $10 million annually.

MoDOT assumes that any tolls collected from use of interstate highways constructed with federal funding would violate federal law, since these highways were built with federal participation, and therefore assumes no revenues from this provision.

ASSUMPTION (continued)

MoDOT notes that the legislation requires the Department to enforce the federal Disadvantaged Business Enterprises (DBE) program; however, there are issues with the source of funds. If the funds are state funds and none are received from U.S. Department of Transportation, MoDOT has no ability to enforce this program. In fact, MoDOT would be in violation of state constitutional requirements for non-discrimination, absent a disparity study indicating there is a compelling interest and a disparity exists. If the funds used are federal funds, compliance with the DBE program is required. The issue then becomes the increase in oversight and compliance activities. MoDOT currently does not have the resources to implement this legislation under the assumption that federal funds are used. Additionally, we cannot determine the number of FTE that will be required at this time. **Oversight** assumes compliance costs would not exceed $100,000 annually.

Officials with the **Office of Administration–Division of Budget & Planning (BAP)** assume the proposal will result in additional funding to the Department of Transportation and city & county governments. BAP addressed the motor fuel and sales tax increases.

BAP assumes an effective date of January 1, 2002 for the sales tax increase of .25% on general sales and .50% on motor vehicles. Additional sales tax revenue is expected of $93.2 million in FY 2002; $194 million in FY 2003; and $202 million in FY 2004. Of these amounts, the portion on general sales (79%) will be credited to the Transportation Sales Tax Fund, while the remainder, due to the increased sales tax on automobiles (21%), will be distributed according to Article IV, Section 30(b) of the Missouri Constitution. **MoDOT** assumes new revenues of $97.1 million in FY 2002; $200.1 million in FY 2003; and $206.1 million in FY 2004. **Oversight** has included numbers as provided by BAP for the purposes of this fiscal note.

BAP assumes the increased motor fuel tax will generate $9.9 million in FY 2002; $50.3 million in FY 2003; $91.8 million in FY 2004. These funds must be distributed according to Article IV, Section 30(b) of the Missouri Constitution. **MoDOT** assumes new revenues of $10.3 million in FY 2002; $52.0 million in FY 2003; and $95.1 million in FY 2004. **Oversight** has included numbers as provided by BAP for the purposes of this fiscal note.

Officials with the **Department of Revenue (DOR)** assume the proposal will affect the Department through blood alcohol content (BAC) legislation, increased driver's license fees, and increased vehicle registration fees. DOR did not address revenues generated by the motor fuel or sales tax increases, but notes that they will cost $14,526 in postage and programming expenses to implement.

ASSUMPTION (continued)

The Department of Revenue estimates the increased driver's license fees will result in new revenues of $2.87 million in FY 2002; $8.65 million in FY 2003; and $14.1 million in FY 2004. Costs to implement the fee changes are expected at $17,750. DOR assumes these funds will be credited to the Transportation User Fee Fund. For the purposes of this fiscal note, **Oversight** assumes these funds must be distributed according to Article IV, Section 30(b) of the Missouri Constitution.

DOR anticipates new revenues due to the increased vehicle registration fees of $16.8 million in FY 2002; $41.5 million in FY 2003; and $42.1 million in FY 2004. Fees from the Highway Reciprocity Commission are expected to increase $13.7 million in FY 2002 and $54.8 million in FY 2003 & 2004. DOR anticipates changes requiring the hiring of an additional Computer Information Technologist III for six months to handle changes to the general registration and UFOS systems (0.5 FTE at $47,100). The vehicle registration vendor (outsourced) indicates the changes to the Field Automated System for Titling & Registration system (FASTR) will require 1,955 hours of programming at $150/hr., a total cost of $293,250. The bill also requires new plates (instead of just tabs) be issued to commercial vehicles in excess of 12,000 lbs. DOR estimates an annual cost of $600,000 for this provision. DOR assumes these funds will be credited to the Transportation User Fee Fund. For the purposes of this fiscal note, **Oversight** assumes these funds must be distributed according to Article IV, Section 30(b) of the Missouri Constitution.

Increased reinstatement fees are expected by DOR to generate revenues of $461 thousand in FY 2002; $1.38 million in FY 2003; and $1.85 million in FY 2004. DOR anticipates changes requiring the hiring of an additional Computer Information Technologist III for six months to handle changes to the MODL system (0.5 FTE at $47,100). The vehicle registration vendor (outsourced) indicates the changes to the Field Automated System for Titling & Registration system (FASTR) will require 1,955 hours of programming at $150/hr., a total cost of $293,250. DOR assumes these funds will be credited to the Transportation User Fee Fund. For the purposes of this fiscal note, **Oversight** assumes these funds must be distributed according to Article IV, Section 30(b) of the Missouri Constitution.

The lowering of the legal BAC to .08% is expected by DOR to increase workloads in the Driver & Vehicle Services Bureau by 16.7% for alcohol-related arrests & convictions. This translates to 17,827 documentation items, for which DOR indicates one additional FTE is needed, a Clerk Typist II (1 FTE at $20,472), which will perform data entry and respond to inquiries. **Oversight** assumes the additional clerk typist duties could be absorbed with existing resources.

ASSUMPTION (continued)

The General Counsel's Office anticipates the same 16.7% increase in alcohol-related offenses, and assumes a greater number of hearings due to individuals contesting the lower BAC limit. Three additional Legal Counsels (3 FTE at $38,628) are requested (one each for offices in Kansas City, Saint Louis, and Jefferson City) to absorb the additional hearings, as is one Clerk Typist III (1 FTE at $23,184) for docketing, scheduling, and preparing for the additional hearings. One-time office equipment purchases of $26,970 are estimated. Travel expenses of $13,080 are expected annually. **Oversight** assumes that one General Counsel and one Clerk Typist II could handle the additional workload, consistent with DOR's response to a similar proposal in the prior session. The costs to DOR have been adjusted accordingly.

The Driver & Vehicle Services Bureau estimates first year mailing costs of $3,100 (mailings to law enforcement officers), and annual costs of $3,942 (mailings regarding suspension, revocation, reinstatements, and correspondence). Modification of forms is expected to total $6,000 in FY 2002.

Oversight assumes DOR could absorb the cost of production and postage for these forms, and has excluded such costs from the fiscal impact.

The State Data Center anticipates an additional $2,000 in programming costs for FY 2002 due to the lowered BAC limit. **Oversight** assumes DOR could absorb this minimal cost, and has excluded such costs from the fiscal impact.

DOR estimates an additional 4,241 reinstatements of revoked and suspended licenses annually due to the lowered BAC limit. This translates to additional fees of $93,150 in FY 2002; $182,475 in FY 2003; and $189,765 in FY 2004. (There will be no additional fees from revocations and only six month's of suspended license reinstatements in FY 2002.) **Oversight** has included these additional revenues with the fee increases above for simplicity.

Figures provided by the **Department of Transportation** estimated revenue increases of $51.8 million in FY 2002; $107.4 million in FY 2003; and $109.0 million in FY 2004 due to the various fee increases. **Oversight** has included estimates as provided by the Department of Revenue for the purposes of the fiscal note.

MoDOT assumes the bill complies with the federal requirements in TEA 21. Therefore, MoDOT assumes Missouri will be eligible to participate in the TEA 21 incentive grant program, which allows states to share in $90 million in incentive grant funds. Based on the latest estimates from Department of Public Safety, the amount of money Missouri would be eligible for would be approximately $3 million, as long as no other states become eligible this fiscal year. The incentive money is available for FY02 and FY03. Therefore, for the sake of estimating an

ASSUMPTION (continued)

impact, MoDOT uses the $3 million estimate. Because these financial provisions are prospective, **Oversight** has excluded these amounts from the fiscal impact.

Officials with the **Office of the Secretary of State** assume the Department of Transportation will promulgate rules to implement this bill. Based on experience with other divisions, the rules, regulations, and forms issued by the Department of Transportation could require as many as 56 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in Code. These costs are estimated. The estimated cost of a page in the Missouri Register is $23.00. The estimated cost of a page in the Code of State Regulation is $27.00. The actual costs could be more or less than the numbers given ($3,444). The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Mental Health - Division of Alcohol and Drug Abuse** assume no fiscal impact to their agency.

The **Department of Public Safety–Missouri State Water Patrol** assumes the agency will be required to purchase motor fuel at higher prices because of the higher tax, at a cost of $1,923 in FY 2002; $3,846 in FY 2003; and $5,769 in FY 2004. **Oversight** assumes these costs are minimal and could be absorbed with existing resources.

Officials with the **Office of Prosecution Services, Office of State Public Defender, Office of the State Treasurer,** and the **Department of Health** assume minimal or no fiscal impact as a result of the proposal.

Advertisement costs for the proposal would be $4,380 per newspaper column inch for three printings of the text of the proposal, the introduction, title, fiscal note summary, and affidavit. The proposal would be on the ballot for a November 2001 special election. In addition, **Oversight** estimates costs for a special election would be about $3,000,000.

FISCAL IMPACT - State Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
Loss–Various State Agencies			
Repeal of Jet Fuel Exemption Sunset Clause	$0	$0	($5,000,000)
Costs - Secretary of State: Newspaper Advertisements	($3,700,000)	$0	$0
Costs - Special Election	($3,000,000)	$0	$0
Costs–DOR			
Implementation of Various Tax and Fee Changes (One-Time Costs)	($665,876)	$0	$0
Issuance of New Plates for Commercial Vehicles	($300,000)	($612,000)	($624,240)
Personal Service (3 FTE)	($66,310)	($81,562)	($89,596)
Fringe Benefits	($22,101)	($27,160)	($29,835)
Expense & Equipment	($17,306)	($1,594)	($1,658)
Total Costs–DOR	($1,071,593)	($722,316)	($745,329)
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	**($7,771,539)**	**($722,316)**	**($5,745,329)**
TRANSPORTATION SALES TAX FUND			
Revenues–MoDOT			
Increased Sales Tax–General Sales .25%	$73,275,000	$153,200,000	$160,100,000
ESTIMATED NET EFFECT TO TRANSPORTATION SALES TAX FUND	**$73,275,000**	**$153,200,000**	**$160,100,000**

FISCAL IMPACT - State Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
STATE HWY & TRANSPORTATION DEPT/STATE ROAD FUNDS			
Revenues–MoDOT			
Increased Sales/Use Tax on Motor Vehicles–.5% (75%)	$14,925,000	$30,750,000	$31,725,000
Increased Motor Fuel Tax–$.01/gal. as of 4/1/02; $.02/gal. as of 4/1/03; $.03/gal. as of 4/1/04 (70%)	$6,930,875	$35,175,000	$64,270,500
Increased Fees (75%)	$25,477,500	$79,882,500	$84,780,000
Total Revenues–MoDOT	$47,333,375	$145,807,500	$180,775,500
Costs–MoDOT			
Compliance Monitoring–DBE program	Less Than ($100,000)	Less Than ($100,000)	Less Than ($100,000)
Expense Reimbursement–Commission	($12,250)	($15,141)	($15,595)
Total Costs–MoDOT	($12,250) to ($112,250)	($15,141) to ($115,141)	($15,595) to ($115,595)
ESTIMATED NET EFFECT TO STATE HWY & TRANSPORTATION DEPT/STATE ROAD FUNDS	**$47,221,125 to $47,321,125**	**$145,692,359 to $145,792,359**	**$180,659,905 to $180,759,905**

FISCAL IMPACT - Local Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
Revenues–Cities			
Increased Motor Fuel Tax–$.01/gal. as of 4/1/02; $.02/gal. as of 4/1/03; $.03/gal. as of 4/1/04 (15%)	$1,485,188	$7,537,500	$13,772,250
Increased Sales/Use Tax on Motor Vehicles–.5% (15%)	$2,985,000	$6,150,000	$6,345,000
Increased Fees (15%)	$5,095,500	$15,976,500	$16,956,000
Total Revenues–Cities	**$9,565,688**	**$29,664,000**	**$37,073,250**

FISCAL IMPACT - Local Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
Revenue–City of Saint Louis			
Increased Motor Fuel Tax–$.01/gal. as of 4/1/02; $.02/gal. as of 4/1/03; $.03/gal. as of 4/1/04 (.25%)	**$24,753**	**$125,625**	**$229,538**
Revenues–Counties			
Increased Motor Fuel Tax–$.01/gal. as of 4/1/02; $.02/gal. as of 4/1/03; $.03/gal. as of 4/1/04 (14.75%)	$1,460,434	$7,411,875	$13,542,713
Increased Sales/Use Tax on Motor Vehicles–.5% (10%)	$1,990,000	$4,100,000	$4,230,000
Increased Fees (10%)	$3,397,000	$10,651,000	$11,304,000
Total Revenues–Counties	**$6,847,434**	**$22,162,875**	**$29,076,713**

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact on small business through increased sales & motor fuel taxes and increased registration fees.

DESCRIPTION

This bill is a comprehensive package relating to transportation funding and related items.

The bill creates within the Office of Administration a Public Capital Investment Board. The board will consist of 19 members, 6 of whom will be department directors, 6 citizen members, 6 municipal officials appointed by the Governor with the advice and consent of the Senate, and the State Treasurer.

The board will advise the Governor and his cabinet on statewide economic and quality of life goals and develop a coordinated, statewide, interagency plan for the investment of public capital toward achieving these goals. The state transportation plan will need approval of the Governor and the General Assembly.

DESCRIPTION - continued

The Transportation Sales Tax Fund is created to receive sales tax revenues that support transportation needs. Distribution of moneys from the fund will be as follows:

(1) 66.5% will be used for public transportation;
(2) 13% will be used for intercity rail facilities and services;
(3) 13% will be used by cities and counties for any transportation purpose;
(4) 3% will be used for port facilities;
(5) 1.5% will be used for intercity bus facilities and services;
(6) 1.5% will be used for bicycle and pedestrian facilities; and
(7) 1.5% will be used for support activities of the Public Capital Investment Board, regional planning commissions, and metropolitan planning organizations for transportation planning.

The Transportation User Fee Fund is created. Certain fuel tax and user fees will be deposited in the fund for the support of highways. Moneys in the fund will be allocated as follows:

(1) To cities and counties as required by constitutional provisions.
(2) To the Department of Transportation for expenditure in each state highway district in an amount distributed through a formula based on population, employment, principal arterial lane-miles, and vehicle-miles traveled.

DESCRIPTION - continued

The bill also:

(1) Increases the motor fuel tax by 3 cents per gallon, phased in over 3 years, beginning 4/1/02;
(2) Increases the state sales and use tax on tangible personal property, excluding certain types of foods, by 0.25%;
(3) Increases the sales tax on motor vehicle sales by 0.5%;
(4) Removes the sales and use tax exemption of jet fuel;
(5) Increases the membership of the Highways and Transportation Commission from 6 to 9 members, with one from each Congressional district;
(6) Authorizes the Department of Transportation to use design–build contracting methods for projects on the state highway system;
(7) Establishes requirements for the participation of disadvantaged businesses in any program or project using funds derived from the bill in accordance with federal laws and regulations applying to the federal-aid highway program;
(8) Gives the Highways and Transportation Commission authorization for tolls on I-70, I-44, and I-55. These tolls would have an $80 million cap adjusted annually based on the Consumer Price Index. Toll revenues will be deposited in the Toll Road Fund and used solely for capital expenses on the toll facilities.
(9) Increases all license, title, permit, and registration fees by 50%;
(10) Establishes new parameters for the competitive bidding process in relation to selecting a vendor for the material used to manufacture license plates;
(11) Limits the number of characters on special personalized license plates;
(12) Lowers the blood alcohol content level necessary for a conviction of driving with excessive blood alcohol content from .10% to .08%; and
(13) Allows for the designation and enforcement of the lawful use of high occupancy vehicle lanes.

The bill contains a referendum clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Transportation
Department of Revenue
Office of Administration
 Division of Budget & Planning
Office of the State Treasurer
Office of the Secretary of State
Office of the State Public Defender
Office of Prosecution Services
Department of Health
Department of Public Safety

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Director
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